

LEGISLATIVE AND INTERGOVERNMENTAL SERVICES

TO: Council

DATE: July 18, 2023 **DIVISION:** Division 6

FILE: N/A **APPLICATION:** N/A

SUBJECT: Prairie Economic Gateway Initiative

EXECUTIVE SUMMARY:

The City of Calgary (The City) and Rocky View County (The County) are exploring a joint economic development opportunity called the Prairie Economic Gateway initiative to enable the development of an inland logistics hub, transload facility and associated spin-off businesses along the southeast boundary of the City, within the County. This project would replace the current annexation negotiation process that has been occurring for the same lands. Rather than exchange lands from one jurisdiction to another, this initiative is intended to create benefits through intermunicipal collaboration, joint planning, using innovative infrastructure funding models and creating mutually beneficial governance/financial arrangements. The initiative includes both the initial planning and development of the site and the long-term sustainability and operation of the area. The parties are committed to interjurisdictional collaboration to spur economic growth for the benefit of residents and the business community without regard to municipal boundaries.

The purpose of this report is to commence the Prairie Economic Gateway initiative, through Council approval of a Letter of Intent (Attachment 'A') and the Terms of Reference (Attachment 'B') for the Prairie Economic Gateway initiative. This would pause the Annexation Negotiation Committee until the initiative is completed and appoint elected officials formerly serving on the Annexation Negotiation Committee to the Prairie Economic Gateway Elected Steering Committee. This report also outlines the resource requirements to complete this project including a budget adjustment to properly resource the Prairie Economic Gateway initiative.

ADMINISTRATION RECOMMENDATION:

Administration recommends approval of the draft Prairie Economic Gateway Letter of Intent and Terms of Reference, appointment of Councillors to the Elected Steering Committee, approval of the budget adjustment, and pausing the Annexation Negotiation Committee in accordance with Option #1.

BACKGROUND:

On July 28, 2020, in response to an identified development opportunity, Rocky View County Council approved a Terms of Reference for an applicant-led Area Structure Plan for the Shepard Industrial Area (as shown in Attachment 'C'). This area fell within a portion of the City's industrial growth area as identified in the City of Calgary / Rocky View County Intermunicipal Development Plan. During initial conversations, the City expressed concern that this proposed development fell within their future growth area. On June 29, 2021, Council held a public hearing for the proposed ASP and a motion was passed directing additional engagement with the City of Calgary pertaining to joint planning and cost / revenue sharing options.

On September 17, 2021, The City of Calgary (The City) gave notice to the Land and Property Rights Tribunal, The County and other local authorities, of the intent to annex the land from The County into The City. This precipitated the need, pursuant to the Municipal Government Act (MGA), for the two

Administration Resources

Amy Zaluski and Ben Manshanden, Legislative and Intergovernmental Services

municipalities to enter good faith negotiations on annexation. The proposed annexation lands are shown in Attachment 'C.'

After good-faith discussions that took place from September 2022 to June 2023, the parties have agreed to explore mutually beneficial joint planning and infrastructure arrangements to spur economic development, with a shared investment, shared benefit framework in lieu of annexation. On December 20, 2022, The City passed a motion to pause the annexation process to enable the exploration of alternatives. The City has indicated that they may choose to resume the annexation process should it be determined that a collaborative model for development is not viable.

DISCUSSION:

The discussions between The City and The County during the annexation negotiation process resulted in the shared understanding that the parties can best meet their interests through collaboration and a commitment to exploring innovative governance and financing solutions in pursuit of a potential economic development opportunity. The parties are committed to finding mutually beneficial arrangements and creating an innovative model for regional collaboration and service provision that may be applied to other areas in the future. This initiative is focused on the proposed Shepard Area Structure Plan lands as a starting point, but the study area may expand based on logical servicing and planning boundaries (Attachment 'C').

To support the Prairie Economic Gateway initiative, City and County Administrations have jointly drafted a Letter of Intent and Terms of Reference, which were reviewed and approved-in-principle by the Annexation Negotiation Committee on June 26, 2023. The Letter of Intent would signal support by respective Chief Elected Officials for the project. The draft Prairie Economic Gateway Terms of Reference would provide a framework for project governance, with an Elected Steering Committee to provide input and broad policy direction, a Senior Administration Steering committee to provide leadership and accountability, and up to three Administration Working Groups to advance planning, infrastructure, and governance/financial arrangements. The developer and other major stakeholders will be engaged as part of the process, as the expectation of the Committee is that they will provide a financial contribution.

The City and County have jointly selected a project consultant to assist with project management and provide expertise on a 'deal structure' and innovative infrastructure funding arrangements. Project consultant fees will be split equally by the City and County, unless otherwise agreed by the Elected Steering Committee. The draft Terms of Reference will provide direction on project goals, roles and responsibilities, cost-sharing, dispute resolution, and communication/confidentiality protocols.

As conversations with The City have transitioned away from the proposed annexation, Administration recommends that the Annexation Negotiation Committee be paused until the Prairie Economic Gateway initiative is completed. The proposed Terms of Reference would transition the elected members of the Annexation Negotiation Committee into the Prairie Economic Gateway Elected Steering Committee. This would ensure continuity for the project teams and maintain the constructive relationships that have been developed since the beginning of discussions with The City.

The Prairie Economic Gateway initiative would align with the Council mandate for the Annexation Negotiation Committee, as per closed session report RVC2022-16. It would also align with a Council motion from June 29, 2021, directing Administration to discuss cost and revenue sharing options and joint planning with The City for the Shepard Industrial Area Structure Plan lands. This project may allow for the development of an inland logistics centre and transload facility that would provide economic benefits for the County, The City, and the region. This initiative may improve relations with The City and provide a framework that may be applied to future development in the region.

BUDGET IMPLICATIONS AND RESOURCE REQUIREMENTS:

Throughout the discussions on this initiative, the Committee agreed that time is an important factor for this project to ensure that a potential opportunity is realized. Administration has examined the resource requirements needed to complete this project quickly and efficiently. Resources will be required to engage the joint project consultant and successfully complete the deliverables as outlined in the Prairie Economic Gateway Terms of Reference. As stated in this report, the Committee agreed to equal inputs, where possible, for this project. As a result, The City will also be providing equal resources, both staff and monetary, to this project and the developer will be providing resources in terms of the technical studies and ASP preparation. Third party commitment and monetary contributions will be delineated clearly in the initial stages of the project. The project will be jointly managed by the County and the City. The budget implications in this report reflect this shared commitment.

Initial Project Budget Requirements:

Given the current capacity of County Administration, outsourcing or backfilling of positions will be required to complete this project. The corresponding budget request is primarily focused on fulfilling the deliverables of the Terms of Reference to achieve an Area Structure Plan, land use, and a viable deal structure. The Terms of Reference identifies three separate workstreams that will require subject matter experts with a variety of skillsets, and it will be important to coordinate across workstreams and bring in support staff as required to complete the initiative in a timely manner.

To complete this project in a time efficient manner and to avoid disruption to other County projects, Administration is requesting a budget adjustment of \$785,000 to acquire sufficient resources. A detailed breakdown of the budget estimate is provided in Attachment 'D'. This includes procurement of the joint consultant, as agreed to by the Committee. The budget adjustment represents an educated estimate as to the resource requirements for this project. Should the entire budget not be required, the funds would not be withdrawn. Administration will provide periodic updates to Council on the project status and report ongoing resource needs.

Long-Term Financial Considerations:

If this initiative is viable and proceeds, additional costs will be incurred over the medium-long term to implement the deal structure, provide long-term capital commitments, operational servicing, and spur build-out of the development. These costs will be identified as the project continues and any potential capital or operating investments must be approved by Council.

NEXT STEPS:

Approval of Option #1 would provide direction and resources to commence work on the Prairie Economic Gateway initiative. Administration would finalize the contract with the jointly selected project consultant and assign resources to each of the workstreams identified in the draft Terms of Reference. The project consultant, along with City and County Administrations, would continue work on each workstream, and check-in with the proposed Elected Steering Committee in late September on work to date. The estimated project timeline for the identified workstreams is 6-8 months for initial deliverables, with additional time for planning approvals to commence immediately after a deal structure is reached and the Area Structure Plan is finalized. Over the medium-long term, additional resources will be required to realize joint benefit from this project as development proceeds and ongoing servicing of the area becomes necessary.

Administration Resources

Amy Zaluski and Ben Manshanden, Legislative and Intergovernmental Services

OPTIONS:

- Option #1: Motion #1 THAT the draft Letter of Intent and Terms of Reference for the Prairie Economic Gateway initiative be approved.
- Motion #2 THAT the Annexation Negotiation Committee be paused until the Prairie Economic Gateway initiative is completed.
- Motion #3 THAT Reeve Kissel, Deputy Reeve Samra, and Councillor Schule be appointed to the Prairie Economic Gateway Elected Steering Committee.
- Motion #4 THAT the budget adjustment to support the Prairie Economic Gateway initiative be approved in accordance with Attachment 'E'.
- Option #2: THAT alternative direction be provided.

Respectfully submitted,

Concurrence,

"Amy Zaluski"

"Dorian Wandzura"

Director,
Legislative and Intergovernmental Services

Chief Administrative Officer

AZ/BM/jb

ATTACHMENTS:

- ATTACHMENT 'A': Letter of Intent regarding Prairie Economic Gateway Initiative between the City of Calgary and Rocky View County
- ATTACHMENT 'B': City of Calgary & Rocky View County - Prairie Economic Gateway initiative Terms of Reference
- ATTACHMENT 'C': Potential Study Area
- ATTACHMENT 'D': Project Budget Breakdown
- ATTACHMENT 'E': Budget Adjustment Form